Q4 2014 Earnings Call

Company Participants

- Meg Geldens
- Nancy McKinstry
- Kevin B. Entricken
- Unverified Participant

Other Participants

- Sami Kassab
- Andrea Beneventi
- Chris Collett
- Matthew J. Walker
- Hans Slob
- Sander van Oort

MANAGEMENT DISCUSSION SECTION

Meg Geldens

Welcome to Wolters Kluwer's 2014 Full Year Results Presentation. Today's presentation, as you know, contains forward-looking statements. Actual results may differ materially from what is contemplated in these statements due to a number of risks and uncertainties that are detailed in our annual report.

I will keep it short and hand to Nancy McKinstry, our CEO.

Nancy McKinstry

Thank you, Meg. Welcome, everyone. Thank you for joining us today to hear about our results for 2014. I will give you a brief summary of the results and then hand it over to Kevin Entricken, our CFO, who will talk about the financial results in more detail. Then I'll come back and give you an overview of the performance of each of our divisions, talk about our progress against our strategy, and then finish up with an outlook for 2015.

I'm pleased to say we achieved our guidance for the full year 2014. The adjusted operating margin was 21% in the middle of the guidance range that we gave you. Our adjusted earnings per share increased 3% in constant currencies as guided, and our adjusted free cash flow was, in fact, better than we expected.

I'm also pleased that organic growth accelerated last year to 2%. This was supported by our leading high-growth businesses which sustained 7% organic growth and now account for 48% of our total revenues. Importantly, our digital products and services, together which make up 80% of our total revenues, grew 5% organically. While we did benefit from strong growth transactional revenues and one-time sales in the final months of 2014, we saw a genuine improvement in the underlying trends as the year progressed, and our business mix improved. Recurring revenues showed a small but incremental improvement in 2014.

Looking ahead to 2015, you will see us take further actions against our strategic objective. We indicated today that we plan further restructuring. And as part of our regular portfolio review, we are now considering strategic alternative for
our Transport Services group. We are also returning more cash to shareholders through a share repurchase plan of up to €140 million in addition to our progressive dividend policy.

Now, I’d like to briefly update you on the progress against our strategy. Our strategy aims to expand our leading growth positions, invest in solutions that improve our customers' outcomes and productivities, and to drive efficiencies across the divisions. In 2014, we continued to invest in our leading high-growth businesses, and they delivered 7% organic growth. We built on these positions by acquiring the remaining shares in Datacert, thus expanding our leadership position in our Corporate Legal Services group.

In faster-growing economies such as Brazil, India and China, we are seeing double-digit organic growth with China growing over 25%. We continue to invest in new and enhanced products, in particular cloud-based product offerings and mobile applications. And we completed a major restructuring initiative in Tax & Accounting while expanding our ongoing cost initiatives in our Legal & Regulatory Solutions group.

So, with those brief remarks, I’d now like to turn it back to Kevin Entricken.

Kevin B. Entricken

Thank you, Nancy, and welcome, everyone. I’m very pleased to be here to present our 2014 financial results. And I’d like to start with our headline figures. Overall, our results were in line with our guidance that we provided at the beginning of the year. Revenues grew by 3% in constant currencies. Organic growth was 2%, an improvement over the growth that we saw in 2013 as Nancy mentioned.

Adjusted operating profit was largely in line with the prior year at €768 million. The adjusted operating profit margin of 21% was in line with guidance and reflects the increase in restructuring. Diluted adjusted earnings per share was €1.57, up 3% in constant currencies, also in line with guidance. Adjusted free cash flow increased 3% overall to €516 million in constant currencies. Adjusted free cash flow increased 1%. Finally, our net debt to EBITDA was 2.1 times and our return on invested capital was 8.5% above our weighted average cost of capital of 8%.

Now, I’d like to look at revenues in greater detail beginning with the divisions. Three of our four divisions contributed positively to our organic growth. Tax & Accounting and Financial & Compliance Services delivered improved growth over the year. Legal & Regulatory posted underlying revenue decline of 1% similar to 2013. Growth in digital revenues and growth in Corporate Legal Services revenues was offset by declines in the print portfolio. Tax & Accounting delivered 3% organic growth, an improvement over the prior year's growth of 1%. This was driven by a strong second half performance and the performance of our software products.

Health achieved 5% organic growth reflecting the continued double-digit growth of our Clinical Solutions business. And Financial & Compliance Services posted 4% organic growth, a significant improvement over the prior year. Financial risk and compliance and audit risk and compliance were responsible for these improved results.

Now, I’d like to take a look at revenues by region. Underlying revenue growth in North America was 3%, up from 2% organic growth in the prior year. All four divisions contributed to this improvement in growth. Revenues in Europe were flat compared to the prior year where we saw a 2% organic decline. Growth in Financial & Compliance Services, Health and Tax & Accounting was offset by print declines in Legal & Regulatory Solutions. Finally, in Asia Pacific and the rest of the world, we saw a growth of 7% as compared to 5% growth in 2013. Again, Financial & Compliance Services, Health and Tax & Accounting, each performed well on this region.

Now, I’d like to look at revenues by media format. In looking at the revenues by media format, we see that our digital products are continuing to be the drivers of growth. Digital revenues were over €2.4 billion and grew 6% organically, an improvement over the 5% organic growth that we saw the year before. Digital revenues are growing in every division and in all regions of the world. This includes products such as our Clinical Solutions drug databases, as well as on-premise and cloud-based tech software. Of our total revenues, digital format now account for 68% of total revenues, and half of those revenues are software.
Underlying services was in line with the prior year. We saw very good growth in corporate legal services. However, this was offset by weaker performance in mortgage related transaction services and other services such as training and consulting. Print revenues declined by 9% and now make up only 20% of total revenues. This includes our book and loose leaf products.

Now, I'd like to turn to profitability. Adjusted operating profit was €768 million, largely in line with the prior year. The adjusted operating margin of 21% compared to 21.5% in 2013 reflects the increase in restructuring costs. And I'll have more to say on restructuring on the next slide.

Looking at the divisions, Legal & Regulatory margin declined by 130 basis points, mainly reflecting the increase in restructuring cost, transfers of assets from the Tax & Accounting division, divestments, and underlying wage inflation. Tax & Accounting margin declined by 40 basis points as a result of the increased restructuring in this division as well. The Health margin increased by 150 basis points to 24.1%, and this benefited from operating leverage and the continued shift in growth toward higher-margin clinical solution business. Financial & Compliance Services margin declined by 80 basis points due to lower transaction revenues, restructuring and investments to drive organic growth.

Now, a few more words on restructuring. In total, restructuring costs increased to €36 million in 2014 compared to the €15 million we spent in 2013. This was higher than we had originally planned as we implemented additional restructuring programs in the second half of the year following a deteriorating trend in our Legal & Regulatory Solutions Europe business. Excluding restructuring costs in both years, you would have seen our margin improve slightly. Over 70% of restructuring occurred in our Legal & Regulatory and our Tax & Accounting divisions.

As we indicated in our outlook for 2015, we will continue to restructure to drive operational efficiencies where needed. For 2015, we expect restructuring costs to be between €30 million and €35 million. This will mainly be in our Legal & Regulatory Solutions business.

Now, I'd like to turn and look at the rest of the income statement starting with our adjusted numbers. Adjusted net financing costs declined to €113 million. This reflects the benefits of our debt refinancing program last year. The benefit was partially offset by the effect of currency. Our effective tax rate was held flat at 27.6% despite the increase in profitability in North America. Adjusted net profit after tax was €470 million, up 3% in constant currencies, and similarly, diluted adjusted earnings per share improved 3% in constant currencies to €1.57 per share.

And now, a few words on the IFRS figures. Our reported profit decreased 8% to €569 million. Now, I'd like to remind you that in 2013 that included the disposal gain of €47 million related to the sale of Best Case Solutions. Reported net financing results with an expense of €56 million. This result includes the €76 million revaluation gain on our minority stake in Datacert, which was triggered by our purchase of the remaining 62% of that business in April. It also includes a €5 million pension finance charge and a €14 million net loss on the disposal of an investment available for sale. The reported IFRS tax rate was 7.4%. This rate was driven down by the Datacert revaluation gain which is not taxable.

In addition, the tax rate further benefited from a positive tax impact related to assets disposed in earlier years. Now, let's turn to cash flow. Adjusted operating cash flow increased 3% to constant currencies to €764 million. Our cash conversion ratio was strong at 100% as a result of good inflows in the fourth quarter and prudent working capital management.

In 2015, we expect our cash conversion ratio to return to a more normalized level of approximately 95%. The increase in operating cash flow was partially offset by an increase in paid financing cost of €20 million to a total of €135 million for the year. This was the asset we expected and relates to the additional eurobond coupon payment in the first half of the year. Also as expected, we saw a €16 million increase in paid income taxes for a total of €119 million for the year. As a result, our adjusted free cash flow improved 1% in constant currencies to €516 million.

Now, let's take a look at the uses of cash flow and the net change in debt. In 2014, we've paid €209 million in dividends. Additionally, we paid a small amount of cash outflow related to the exceptional Springboard program. Now, going forward, the cash impact of this program will be minimal, and we will include it in our adjusted free cash flow results.
We spent €189 million on acquisitions during the year, primarily for the remaining shares in Datacert. It also includes smaller acquisitions including Financial Tools in the United States and Dingxin in China. We are encouraged by the early results of these acquisitions, and they're performing in line with our expectations. Divestiture proceeds primarily relate to the disposal of our Canadian legal publishing assets. As a result, there was a net inflow of €91 million. This allowed us to reduce our net debt to just under €1.9 billion.

Now, a few words on leverage. Our net-debt-to-EBITDA ratio improved to 2.1 times from 2 times last year. This is also below our target level of 2.5 times. Please note that our dividend will be paid in cash in May which will increase our leverage at the half year.

And now, I'll look at our debt maturity profile. Here, you'll see our debt maturity profile as of December 31. This was greatly improved by our refinancing initiative last year. We issued a new €400 million eurobond in May and we renewed our multi-currency credit facility in July. And as reminder, that bond gives us 10-year funding and an attractive interest rate of 2.5%. You will see the benefit of this exercise as we move forward.

Now, turning to dividends and share buybacks. In line with our progressive dividend policy, we are proposing to increase the cash dividend to €0.71, subject to approval at our Annual General Shareholders Meeting in April. This will mark the ninth consecutive year of an increase in our dividend per share. We remained committed to our progressive dividend policy as a way to reward our shareholders. We also remain committed to offsetting the dilution cost by the issuance of performance shares and in line with our anti-dilution policy, we intend to buy back shares worth up to €400 million. Today, we're also announcing a further share buyback of up to €100 million to return cash to our shareholders. This will bring our total buyback program to €140 million.

So, to summarize, we're very pleased with our results for 2014, and pleased that we have met the guidance provided at the beginning of the year. Organic growth was 2% following a very strong fourth quarter driven by our high leading, high growing positions and digital products across all of our divisions. The lower operating profit margin reflects planned step-up in restructuring activities and our free cash flow was €516 million, up 1% in constant currencies. Our net debt-to-EBITDA ratio was 2.1 times, better than our target level of 2.5 times.

Now, with that, I'd like to hand the floor back to Nancy, who will update you on our divisions and progress on our strategy.

Nancy McKinstry

Thanks, Kevin. So, as I mentioned at the outset, I'll give you an overview of each of the divisions, talk about progress against our strategy, and then finish up with the outlook for 2015. So, let's get started with Legal & Regulatory. Legal & Regulatory revenues increased 4% in constant currencies. Organically, revenues declined 1% in line with 2013. The adjusted operating margin contracted, as we expected, largely due to increased restructuring.

Corporate Legal Services, organic growth was 5% driven by strong transaction volumes in the fourth quarter. We saw strong renewals for legal representation services supporting CLS' subscription growth. Transaction revenues were particularly strong at Corsearch. CT Lien benefited in the second half from some onetime law firm projects.

As Kevin mentioned, we acquired the remaining shares of Datacert last year. And I'm very pleased to see the integration of Datacert and TyMetrix is progressing well. Both businesses, which now go to market under the name Enterprise Legal Management Solutions, have strong revenue growth in 2014. Legal & Regulatory Solutions declined 3% organically. The improvement we saw in the first half of 2014 reversed in the second half. Digital revenues which now account for 46% of the units revenues grew 3%, while print products saw continued decline. Importantly, our legal software solutions grew 16%. We expanded our restructuring program focusing on editorial and production processes and technology optimization.

Now, turning to Tax & Accounting. The Tax & Accounting revenues declined 1% at constant currencies. This was due to the net transfer of assets into the Legal & Regulatory division. Organic growth improved to 3% with software growing at 5% and publishing and bank products partially offsetting this result. The adjusted operating margin declined
40 basis points as a result of the increase in restructuring cost.

In North America, software revenues grew 5% organically, benefiting from some favorable timing effects, but nevertheless, good growth from both our on-premise applications as well as our new cloud-based solution, CCH Axcess. Our U.S. publishing business print decline but we launched new enhancements to our digital research tools, which showed – which were well received by the market.

In Europe, we also performed well in most countries. And overall, we saw an improved organic growth rate. We are investing in cloud-based and collaborative solutions in Europe. And in fact, we introduced Twinfield into the German market. Asia Pacific and the rest of the world also improved for organic growth. Growth in our software products was partially offset by decline in print subscriptions and books. Among our faster growing software businesses is Prosoft in Brazil, which grew at a double-digit rate.

Turning now to Health, Health delivered 5% organic growth driven by clinical solutions, which now account for 45% of the division's revenues. The adjusted operating margin improved significantly, benefiting from operating leverage and the ongoing mix shift towards Clinical Solutions. Clinical Solutions achieved double-digit organic growth with strong performance across most product areas and in all regions of the world. Clinical Solutions has now seen five years of double-digit organic growth, and revenue outside the United States now accounts for about 20% of that unit's performance.

Medical Research, Professional & Education, which are now combined, were broadly flat on an organic basis. Digital products, which are mainly subscription based, grew strongly, but this was offset by continued declines in print, journals, subscriptions and printed books. We continue to invest in digital content through our Audit platform. And this year, we launched new products around our professional and educational titles.

Finishing up with Financial & Compliance Services, this division saw a strong recovery in 2014 with 4% organic growth following strong software license and professional services sales in the fourth quarter. Our two leading growth units, Finance, Risk & Compliance and Audit, together, achieved organic growth just over 10% compared to 3% in the prior year. Finance, Risk & Compliance achieved double-digit organic growth as a result of new customer wins for our enterprise risk management and regulatory reporting solutions.

Audit delivered robust organic growth, largely through our internal audit solution called TeamMate which won new customer contracts across the globe. The Origination business saw a top line decline due largely to the downturn in the U.S. mortgage refinancing market. FS transactional declined abated in the fourth quarter, benefiting from a change in retirement rollover regulations. Finally, our European transport services unit saw revenue decline, with trends improving towards the end of the year as the shift towards the subscription model is nearly complete.

Further restructuring was undertaken to adjust the cost base, and we are conducting a review of strategic alternatives for this unit. Adjusted operating margins for the division declined 80 basis points, reflecting the decline in transactional revenues, continued investments in global expansion, and additional restructuring.

Now, I'd like to update you on the progress we've made against our strategy. Our strategy aims to expand our leading growth positions, invest in solutions that improve our customer's outcome and productivity and drives efficiencies across the company. Our leading growth businesses achieved 7% organic growth and now account for almost 50% of our total revenues. Second, we are organically investing 8% to 10% of our revenues in innovation, and we launched a number of new products in 2014.

Third, we are progressing well against our planned restructuring initiative. So, if we take a look at our leading growth positions, the vast majority of our organic product development spend is focused on meeting the high-growth businesses, and I'm pleased to say that we saw excellent performance in organic growth across each of these units.

Clinical Solutions, Finance, Risk & Compliance, and Audit all achieved double-digit organic growth in 2014. Tax software and Corporate Legal Services both achieved 5% organic revenue growth. And as I indicated these businesses now make up 48% of total revenues and we expect that that percentage will increase in 2015. As I mentioned at the outset, digital products and services revenues grew 5% organically, accelerating from 4% in the prior year. As you can
see from the bars in the middle, organic growth benefit is from stronger transactional revenues and one-time sales especially in the fourth quarter.

But very importantly, if you look to the very right there, we saw a slow but steady improvement in the underlying growth rate of our core subscription revenue. Recurring revenues now make up 60 – sorry, excuse me, 76% of total revenues. So, overall, if you look across these KPIs, you'll see underlying improvement in each one of them.

So, now turning to our second strategic goal around delivering solutions and insights. I wanted to just highlight three products that we launched actually a couple of years ago but are now gaining significant traction in the market. And they illustrate the type of innovation that's going on at Wolters Kluwer. The first example is from Legal & Regulatory in Europe. Many of you may know we launched this product Kleos a few years ago. And now it is offered in eight countries across Europe. Kleos is the only product available in the market that offers Next Generation platform in the cloud supporting both the practice and business of law and fully compliant with all local regulations. In 2014, we launched two major releases that have improved the product and the customer experience. We are seeing accelerated customer growth and we're very positive about our prospects for 2015.

The second example comes from our health group. Some of you may remember we launched the UpToDate Anywhere application for our enterprise users in the beginning of 2013. We've realized impressive market expansions throughout 2014 as we introduce the UpToDate Anywhere app across the globe. So, today, this application is now used by clinicians in 174 countries, who view on average more than 26 million clinical topics per month. We're very pleased with both the global expansion, as well as our customer satisfaction rates which are very high for this application.

The last example also comes from Health which is our Lippincott Advisor. It's a clinical decision support system sold to health care institutions for nurses and clinicians at the point of care. This product integrates content from UpToDate and other Wolters Kluwer health assets to help nurses improve patient education. This past year, we also launched a new mobile app to enable access to the Lippincott Advisor from Anywhere. We currently have over 700 facilities using this solution. So, again, these are just three examples of the type of innovation that's going on and how we're allocating our capital.

Finally, the third pillar is driving efficiencies across the group. In Legal & Regulatory, most of our restructuring initiatives last year related to the automation and outsourcing of editorial work across Europe. In the Tax & Accounting division, we outsourced our remaining print production facilities and streamlined the editorial processes for both the U.S. and for Asia. Also in 2014, we established software development centers of excellence in both the U.S. and India. In Financial & Compliance Services, the majority of our restructuring focused on our Transport Services Group.

So, now, I'd like to talk about our outlook for 2015. For Legal & Regulatory, we expect Corporate Legal Services to see good organic growth, albeit at a more moderate pace in the second half of 2015. For the division as a whole, we anticipate organic revenue decline and margin contraction due to continued softness and Legal & Regulatory Solutions combined with increased restructuring.

At Tax & Accounting, we expect continued organic growth, again driven by software around the world. And margins are expected to improve modestly. In Health, we expect steady revenue performance, again supported by robust growth in Clinical Solutions globally. Margins are expected to rise despite increased product investments. For finance and compliance services, we expect Finance, Risk & Compliance and Audit to see good growth, although moderating from last year's double-digit performance. The outlook for Originations is mixed with mortgage refinancing volumes expected to remain weak, but new U.S. regulations provide enough with product opportunities.

So, if you then translate this into our financial guidance, what you should expect is our adjusted operating profit margin to improve to be between 21% and 21.5%. This includes restructuring cost of €30 million to €35 million. We expect our free cash flow to be between €500 million and €525 million in constant currency. We expect our ROIC to be at or above 8%. And we expect our earnings per share in mid-single digits in constant currencies.

So, all in all, we are well-positioned to achieve our 2015 goals, and we remain confident in our growth prospects. So, with that, I'd like now like to turn it over to Q&A.
Unverified Participant

Perhaps, just quickly just a small correction, the total buyback is up to €140 million, in case anyone heard anything else, €140 million up to right.

Q&A

Operator

[Operator Instructions]

<A>: Thank you for correcting it, Meg. Okay, Sami.

<Q - Sami Kassab>: Thank you, Nancy. It's Sami at Exane. A few questions to start with, please. Can you confirm that the Q4 organic revenue growth of the group was around 4%? And if so, I hadn't seen that since Q4 2007, so this leads me to ask whether you would expect organic revenue growth at the group level to perhaps accelerate further in 2015 or decelerate on the back of the decline? I know you've given division outlook, but perhaps, could you sum up the division review in terms of how you see group organic revenue growth developing in 2015?

<A>: Okay.

<Q - Sami Kassab>: Secondly...

<A>: Yes. Go ahead.

<Q - Sami Kassab>: You mentioned in a release a step up in your organic investments. Is that a new guidance compared to the 8% to 10% or is that within the 8% to 10% range you've given us 10 years ago and abided by since? And lastly, can you quantify the margins – the operating margins of the Transport Services division or at least its contribution in terms of group EBIT? And tell us how you include the Transport Services within you right guidance? Is the division included in the margin and free cash flow guidance? Or do you assume the disposal of it and therefore have adjusted for that in the guidance you've given us today, please? Thank you.

<A>: Okay. I'll take the first two and ask Kevin to take the question on Transport Services. So, in terms of growth in the fourth quarter, we had 3% organic growth. Again, we benefited from very good transaction revenues and some one time sales. So as we look to 2015, as you know, we don't give revenue guidance but what I can say is that we have seen good genuine improvement in the underlying trends of the business. However, some of the one-time sales that we had in the fourth quarter won't repeat themselves in 2015 and we still have a cautious view of Europe from a Legal & Regulatory Solutions perspective. So, I think that gives you a good balance as to how we see 2015 developing.

On the organic investments, the 8% to 10% of revenues is really investments in new and enhanced products. So, in addition to that investments that continues, we are also investing more in sales and marketing, particularly in geographic expansion where we have seen some quite a good traction around some of our global products. So, that additional investments in sales and marketing are, of course, included in our guidance. And then Kevin, you want to take the transport...

<A - Kevin B. Entricken>: Yeah. With Transport Services – Transport Services is approximately 1% of total group revenue. Now, we haven't disclosed margins on Transport Services, but it's small enough that our guidance for the year is based on the company as a whole, but it really wouldn't move our guidance one way or the other being a smaller part of the business.

<Q - Sami Kassab>: Let's try to assume that the margins are somewhat higher than the group level.

<A - Kevin B. Entricken>: We haven't given guidance on the margin on Transport Services, but look as I say it's a smaller part of the business over all.

<Q - Sami Kassab>: Thank you.
<A - Nancy McKinstry>: Yes. Please.

<Q - Andrea Beneventi>: Thank you. Good morning. Andrea Beneventi from Kepler Cheuvreux. Two questions please if I may. The first one is on the positive timing effect that you just mentioned in Tax & Accounting and Financial & Compliance. Could you please give us a sense of the size of this component whether in the double-digit million euros or in the single-digit? And you just said that they could – part of them could disappear, is there a possibility that they revert in 2015?

The second question is on share buybacks. Part of the consensus was expecting higher level of share buybacks and you are deleveraging a little bit in 2014. Can you help me to understand what's the reason for your choice? And do you find market multiples a bit too high at this level, or are you planning to increase the pace of acquisitions, please?

<A - Nancy McKinstry>: Okay. I will take the first one and ask Kevin to talk about share buybacks. So, in terms of the fourth quarter performance, right, we had 3% organic growth. Some of that was benefiting from transaction volumes in places like Corporate Legal Services and from some one-time contracts or bigger contracts that we got in the fourth quarter.

So, if you just specifically look at Tax & Accounting and Financial & Compliance Services to your question, in Financial & Compliance Services, as we indicated, we still expect very good growth from Finance, Risk & Compliance and Audit, but at a more moderate pace than what they saw in 2014. And that's because these are very large multiyear contracts with financial institutions and so, some of which we won in 2014. Obviously, we may not win those again in 2015, but still good growth just not at the same level of what we saw in the fourth quarter.

In Tax & Accounting, we still expect, as we indicated, strong growth in software businesses around the world. And some of the transactions again that we saw in the fourth quarter won't repeat themselves. But again, we still expect a good performance from them as well.

<A - Kevin B. Entricken>: As far as our uses of our cash flow, we looked at balance between really three priorities. The first being investments in the business both organic investments and smaller bolt-on acquisitions. The second would be paying down debt, and the third is rewarding our shareholders. We reward our shareholders through our dividend policy, our progressive dividend policy, and we do consider share buybacks to strike the right balance. In coming up with the share buyback amount that we’ve announced today to market, we believe we've struck the right balance that allows us to reward our shareholders but also allows us to invest in opportunities going forward.

<Q - Andrea Beneventi>: Very clear. Thank you.

<A>: Yeah. [ph] Claudio (00:37:43) Yes. Sorry.

<Q>: Good morning. Three questions please. Can you please give us a sense of what's driving the organic revenue growth? Is it pricing environment that ease a bit? Is it volume? Is it a combination of the two?

Second question. In spite of 2% organic growth, your pre-structuring margin expansion is only 1%. Is that a deliberate choice to invest more in the business? Is that a reflection of how the economic model works at these levels of growth and do you need a much faster growth to see better operating leverage? Can you please help us understand where is the breakpoint in that case?

And the third question is the fact that you showed us a chart where you have very significant growth rate for a sizeable part of your portfolio, which obviously then is dragged down by everything else. When will the time come to consider strategic options on a much more – on a much broader scale given the fact you’ve had a fantastic broad profile. Are you willing to do away with 30% of revenues or so?

<A - Nancy McKinstry>: Yeah. Okay. Well, why don't I start and then you can jump in on the margin?

<A - Kevin B. Entricken>: Sure.
<A - Nancy McKinstry>: So, in terms of what’s driving revenue growth, it’s clearly increased penetration for our digital products. So, it’s not around pricing. It’s really around adding new customers, cross-selling, and in some cases improved retention rates. It’s also supported by global expansion. So, in some cases, as we indicate we’re sort of just scratching the surface from a global perspective. Good example of that is Clinical Solutions where now about 20% of their revenues come outside the U.S., but that still has a lot of potential to continue to grow. So, pricing still – our pricing is still very competitive, I would say, overall across the market. So, it’s not coming from that. It’s really coming from increased upselling and new customers.

On the margin question, I’ll start and then ask Kevin to join. I think we’ve talked about in the past that really given the fact that personnel cost is one of our largest components in the cost space. We need to get to organic growth levels of 2% plus to start to really get margin expansion of significant size.

As you see, this past year, we did deliver 2% organic growth. But what we’ve done is we showed some underlying margin expansion if you exclude the restructuring, but we’ve decided as we head into 2015 to continue to do some restructuring to the tune of €30 million to €35 million, again largely in Legal & Regulatory. And the second thing is to increase some of the investments we’re making in sales and marketing.

<A - Kevin B. Entricken>: I think the only thing I would add to the margin discussion would also be consider some of the disposals we’ve done in the past have been margin dilutive to a certain degree, so that will also impact the margin as well. But as Nancy said, restructuring was stepped up in 2014 and we continue to invest in growth initiatives throughout our businesses.

<A - Nancy McKinstry>: And then it shows of the larger question around portfolio. If you look at the key elements of the group, right, we’re now 80% digital, which is a big transformation from where we came as a company. Digital products and services growing 5% organically. And we have our leading high-growth businesses of which are almost at the 50% mark growing 7%.

So, then your question is what about the rest of it. The challenge is – the two challenges that obviously counter balance that good growth performance, one is print. Print is declining. As you know now for many, many years, the rate of decline actually got a bit worse in 2014. We are managing print for cash and profitability. Everything we create in print, right, we also create digitally. And our customers still want print. So, print is going to stay in the portfolio as long as our customers demand that, and we will, as I say, manage it really for profitability.

The other counter balance is really pieces of our European business. Again, what we’re doing there – and that is largely economically related. So, what we are doing is we continue to sell off pieces, and we had a number of disposals at the product line level across Europe.

The second thing that we’re doing is continuing to invest where we see growth. So, in fact, if you look overall at Europe for Wolters Kluwer, we actually have flat performance which was an improvement over 2013 and that’s because we saw a good growth at Tax & Accounting software, at Financial & Compliance Services in Europe. We also saw good digital growth at Legal.

So, our goal in the European portfolio is to continue to make the changes portfolio-wise at the levels that we have been doing but also continuing to invest in the growth areas. And over time, that will shift the balance of our growth footprint in Europe regardless of what happens with the general economic cycle.

<A - Meg Geldens>: We have a couple of call – questions from callers. If you can put those through.

Operator

Yes. [indiscernible] (43:03). Please go ahead.

<Q>: Morning. I’ve got a couple of questions actually. The first is on the organic growth. You did 1.9 in 2014, I understand the one-off benefits in Q4. But do you think you can do that sort of level again in 2015? What are the puts and takes? The second question is really related to your last point on selling pieces of Europe and adjusting things. To
what extent do you think the scope with kind of further asset swap in areas like Legal and so on? Has much of that tidying up been done or is there more to go for?

<Nancy McKinstry>: Okay. Why don't I take those? And in terms of the organic growth, as we indicated, we don't give growth guidance. But what I can say, yeah, we don't give growth guidance, but what I can say is that we, of course, saw genuine improvement in the underlying trends of the business in 2014. So, that will continue in 2015 particularly around digital and software.

However, we also expect that Europe won't show any major improvement in the general economic trends, so we remained cautious about Europe. We also continue to expect that print will decline and that will active the counterbalance to the good momentum that we did see in the business.

On the portfolio changes, we are open to asset swaps. They tend to be more difficult, frankly, than just traditional M&A. And we go through our portfolio every year and look at what assets we might want to dispose of. And so, we have a number of things that we're doing in addition to looking at Transport Services.

</Nancy McKinstry>: Great. Thank you very much.

**Operator**

Chris Collett, please go ahead. Your line is open.

</Chris Collett>: Good morning. It's Chris Collett from Deutsche Bank. Just a couple of questions, please. First of all, Nancy, I just wonder if you could talk about some of the trends that you saw in gross sales and renewal rates as you came into the end of 2014? And then secondly, the added level of restructuring in the Legal & Regulatory Solutions business that you mentioned that you stepped up, does that really imply that you're seeing a some sort of permanent decline in that business? Is that just purely around the economic conditions or is there something else that has changed or that you saw changes that you went on?

</Nancy McKinstry>: Okay. So just if you look at the underlying trends, I think what's key to look at is that the digital growth rate went from 4% in 2013 to 5% in 2014. So we are seeing a marked improvement in digital. That is reflective of a couple of things. It's reflective of we have more digital offerings. It's also reflective that more of our digital products are global so we have many more opportunities to increase our penetration in various markets. Second trend is that certainly transactional revenues are non-recurring revenues that had a nice lift particularly in the fourth quarter. So that has, overall, helped the underlying growth of the business and then finally while small improvements, one of the key things we look at, is of course recurring revenues, right? Because we're largely a subscription model and we are seeing recurring revenues increase over time. So that, again, gives us comfort and gives us confidence that there's good momentum starting to happen in the business.

On the restructuring, Kevin, you want to take that one?

</Kevin B. Entricken>: As far as restructuring is concerned, we did decide to step that program up in the fourth quarter. As Nancy mentioned, we have seen the European results improve to a 2% decline in 2013 to flat performance in 2014. However, that was mostly driven by Tax, Health and Financial & Compliance Services. Our Legal & Regulatory Solutions business in Europe, we did see some headwinds and that's why we decided to step up the restructuring program in the fourth quarter. As we've also announced, we'll do more restructuring where we think it makes sense in 2015, and that will largely be in Legal & Regulatory Solutions in Europe.

</Nancy McKinstry>: So, your question, Chris, was sort of do we think Europe is in permanent decline, and I would say the answer is no. What we see is good trends in digital, right, and that's where we're putting our money. Print is in structural decline around the globe, so that will continue.

I think one of the things that will change over time is print. It still represents about 46% of the Europe Legal & Regulatory Solutions group in Europe and North America combined. As that continues to shift to less and less print in
that portfolio, that will also improve the underlying growth rate over time.

<Q - Chris Collett>: Sorry. Can I just ask again on that? I mean, the proportion of print within the European business hasn't changed as you went on. So, what specifically were those headwinds that you saw as you came into the second half of the year?

<A - Nancy McKinstry>: Yeah. I would say that what we saw was print did get a little bit worse particularly around the books portfolio in Europe. We do a lot of fourth quarter sales of books, so that was one of the major trends that we saw in the business. Second thing is we really just had the expected kind of a steady improvement in the underlying business in Europe and what we saw with that improvement in the first half relative to 2013. But then we reversed that in the second half. So, it got a little bit worse in third and fourth quarter, but again largely in the print part of the portfolio.

<Q - Chris Collett>: Okay. Thank you.

Operator

And our next question is from Matthew Walker with Nomura. Please go ahead. Your line is open.

<Q - Matthew J. Walker>: Hi. Thank you. Good morning. Just have a question on cash returns. I mean, if you look at your dividend progression, it goes up by about €0.01. The first question is, I know it's progressive. But will it reflect, say, a large benefit coming in 2015 from FX? And could the payout ratio which is about 45% be higher given the – given where your leverage is which has come down to at least 2.1.

And a similar question for buybacks. We know you're investing the 8% to 10% in organic CapEx. But the buyback is about – if you exclude the ex-dilution, it's about 1% of the shares. So, I'm just kind of wondering what made you be or not be more aggressive on both the dividend and the buybacks given where the free cash flow performance is and given where the leverage is.

<A - Nancy McKinstry>: So, the second question, but we didn't hear the first one well enough to respond. So, Kevin, why don't you talk about the decision around the share buyback?

<A - Kevin B. Entricken>: Yeah.

<A - Nancy McKinstry>: And we'll ask you to repeat the first question.

<A - Kevin B. Entricken>: Sure. As mentioned earlier, when we look at the uses of our free cash flow, we try to strike the right balance between investments in the business reducing debt and rewarding our shareholders. So, Nancy and I believe that we've struck that balance. This allows us to reward the shareholders with a share buyback. It also allows us to continue to invest in the business. I will mention though if you consider the increase in dividend plus the share buyback, we're returning about 60% of our free cash flow to investors this year. And that still allows us to seize opportunities to invest in growth businesses going forward. So, we're comfortable that we have struck the right balance here.

<A>: Would you mind repeating your first question?

<Q - Matthew J. Walker>: Yes. The first question was really similar one which was more on the dividend progression. And it's been going up by about 1% a year, is there is any prospect of that size of increase improving? And I'm just kind of wondering why the – given the leverage is coming down, why the dividend payment is not higher?

<A>: I think the questions that we're having a little bit of trouble hearing on the line here, but I think the question is why not more than 1% dividend. What we point to is we want our shareholders to be able to count on our progressive dividend policy. So, over the longer term, our investors or shareholders should know that that dividend will increase every year year-on-year, and we want to be consistent about that message going forward, so we are committed to that.
As far as where our leverage is right now, we’re at 2.1 times net-debt-to-EBITDA. That is below our target of 2.5 times, but as we’ve said we will deviate from that target from time-to-time based on the opportunities we see in the business.

So, where we are right now. I think that we struck that right balance of rewarding our shareholders and being able to seize opportunities of investing in the business going forward, because as Nancy said, there is a number of parts of our portfolio. We do think there is opportunity for growth.

<Q - Matthew J. Walker>: Okay. Thank you.


<Q - Hans Slob>: Yeah. Hans Slob, Rabobank. Two questions. One is on the trends you see in Legal & Regulatory issues in Europe, the geographical trends, what are you currently seeing in Southern Europe? And maybe could you update us on Russia because I remember bolt-on assets there years ago, and what is the percentage of your sales in Russia for Legal & Regulatory Solutions?

And secondly, a question on the clinical tools business. Are you planning – what is the status with the launch of new clinical tools? I know you have some very promising clinical tools in the pipeline. When can we expect the commercial launch? And also, on the clinical tools, what do you expect from the launch of UpToDate in China, and can that accelerate the growth of your clinical tools business?

<A - Nancy McKinstry>: Okay. So, first, trends across Europe, very consistent with what we've said in prior years which is that the South remains weaker than the North. That has been the case. And again, the other trend that we see, of course, is that where the weakness is it's really in the print part of the business. Digital is growing nicely across Europe both digital online and the software businesses.

Russia is a relatively small business for us. We have a joint venture. We have revenues of approximately €40 million. We saw growth in Russia in 2014, but we remain obviously very cautious about the situation there. And so, we continue to watch that.

On clinical tools, we have – always had a strong focus around innovation in clinical tools. The two things that we’ve talked about, one, is UpToDate China. That launch is in the second half of 2015. So, our expectations for revenue in 2015 is relatively modest because we are right now in data, and it will take time. But certainly, we expect that for 2016 and 2017 and beyond, that will generate an ongoing revenue stream for us.

The other tool that we’ve spoken about is POC Advisor, which is the sepsis example that we’ve given in the past that is currently in beta. We will plan to launch that again latter half of this year and really even in the early part of 2016. So, again, the revenue expectations for this year are quite modest but the expectation is once these things take hold, they become much more substantial revenue streams.

Yeah?

<Q>: [indiscernible] (55:43) from ABN Amro. First question on your divisional outlook, is there particular reason why you refrain from making a margin comment for the Financial & Compliance Services Division? I remember there was also no margin statement in your guidance for your last year.

And my second question on the restructuring costs, can you share with us whether you expect the €30 million to €35 million to be evenly split between the first half and the second half or will it be first half weighted? And I seem to remember from your interim results 2014 that you expect the restructuring costs in Tax & Accounting to be, well let's say, one-off. And it seems to me although the majority of these new restructuring costs are in Legal & Regulatory, it still suggests that there might be additional costs in Tax & Accounting as well. Can you confirm that? And can you be more specific about what the actual restructurings will entail?

<A - Nancy McKinstry>: Okay. So, why don’t – Kevin, you want to talk about the divisional outlook for Financial & Compliance Services?
<A - Kevin B. Entricken>: Yeah. I would say when we give you guidance, we give it to you for the group as a whole and we typically do not give detailed guidance down at the division level. The guidance we've given you this year is an improvement in that overall margin from 21% to 21.5%. But for all of the businesses, we're looking at margin improvement opportunity, so we will continue to look for those things. But as far as guidance goes, we give it at the group level, not at the division level.

<A - Nancy McKinstry>: Yeah. And as you know, sometimes we'll make a comment more to make sure that we steer people on the right direction at the divisional level. So, the fact that we don't mention margins in Financial & Compliance Services, I wouldn't read anything kind of into that, but really look at the overall Wolters Kluwer level.

On restructuring, Kevin, the phasing?

<A - Kevin B. Entricken>: Yeah. We'd say, the phasing, we will start those restructuring programs, and you will see those restructuring programs begin in the first half. As far as the first half, second-half weight, it's going to be dependent on how quickly we can progress with some of the programs and how quickly we get it down into another area. So, at this stage of the game, I would say more of an even phasing, but obviously, we will update you if we see any acceleration on that.

As far as Tax & Accounting is concerned, yes, we did, in fact, do restructuring in 2014. We do not believe there will be any substantial restructuring in Tax & Accounting in 2015. We think we've done the things that we want to do there. As far as the nature of what we're doing in restructuring, a lot of it has to do with how we can improve on efficiencies, things like editorial and production processes, distribution processes. So, that's really where we're focusing our restructuring efforts and how to get better at doing some of the things that we do.

<A - Nancy McKinstry>: And largely, what that means is that we're automating work, and in some cases, outsourcing work depending on what the nature of it is.

<Q>: Okay. If I can make just one follow-up comment, please. In your divisional outlook like last year, you do have specific margin comments for the first three divisions, but not for Financial & Compliance Services. I understand you've given out a specific quantified outlook on a group level, but you do make specific statements on margins, whether you expect them to go up or down or the three biggest divisions but not Financial & Compliance Services? I was just wondering is it because of the transactional nature of the business? Is there any particular reason why because I'm just curious?

<A - Nancy McKinstry>: Yeah. I think, Meg, you want to...

<A - Meg Geldens>: We like to give you some work to do [indiscernible] (59:18) that way. I mean obviously, that division has less recurring proportion than the Health, particularly, and Tax & Accounting, so it's a little bit harder to predict, part of the transaction. But give you some work to do.

<A - Nancy McKinstry>: It's also our smallest division. So, it's not going to – again, it's less likely to move the overall for Wolters Kluwer. Yeah. Okay. Sami, to you.

<Q - Sami Kassab>: Thank you, Nancy. I would like to go back to [ph] Claudio's (59:48) question and drill down on the following point, please. I think in your portfolio, we have 5% – up to 10% of your revenues that come from products such as your Medicare and nursing textbooks, your legal textbooks, your French B2B magazines. And these have been declining for several years. I struggle to understand why you stick and keep to those assets. And I think I struggle to understand because I don't see the synergy that you have between a textbook sold to a 20-year-old student in nursing or legal law school and a product like Kiosk which is sold to lawyers or UpToDate which you sell to hospitals and librarians and the like. So, can you help me understand what synergies do you see between a nursing textbook and UpToDate?

<A - Nancy McKinstry>: Sure. Okay. So, how do books in medical factor into it is that a couple of things, right, which is the medical and nursing textbooks that we produce in print, two things are going on. One is we distribute that book content on Ovid. And Ovid has been growing and the book – the digital book content on Ovid is growing. So, we have that migration going on. Second thing is the book content which is where the cost and the value to create things is
in the content, right? Whether it's distributed in a book form or online, that doesn't matter a whole lot in terms of the cost base. So, the digital content for nursing textbooks and medical textbooks, it shows up on Ovid in digital form is also getting reinvented in terms of digital products.

So, one of the things I know we've talked about in the past is something called our Lippincott Nursing Procedures which is an online training product that is sold into institutions and has grown really nicely. A lot of the content in that product comes out of the textbooks.

So, there is a significant amount of reuse. Even if you look at our Order Sets which is a product we've talked about in the past in Clinical Solutions, which are sold to hospitals, they leverage the nursing content and the five-minute consult content from Lippincott. So, there's a tremendous amount in reuse of content across the portfolio coming from what's inside the book.

<Q - Sami Kassab>: Thank you.

<A>: Yeah. Please in the back.

<Q>: Yes. Thank you. [indiscernible] (01:02:25). You mentioned your real estate consolidation that it was part of your driving efficiencies program. First of all, if you could elaborate a bit on that, please and also how that could possibly potentially affect your balance sheet. And second question is on the currency exposure 2014 and, also, the beginning of 2015, we're quite volatile in terms of currency rates. I was wondering if you could elaborate a bit on your risk management policy for currency exposure and whether or not that will change given the last quarter of 2014's recent developments. Thank you.

<A - Nancy McKinistry>: Kevin. Yeah.

<A - Kevin B. Entricken>: Yeah. On real estate consolidation, we're constantly looking at ways we can be more efficient in our footprint. An example this year is in our Philadelphia market. We have a number of different buildings that we were able to consolidate when leases expired. So, those are the types of things that we're looking at very actively around the portfolio. And we'll continue to do those sorts of things. But obviously, real estate is only a part of our cost space, and we look at other areas as well.

As far as our currency exposure, one thing I'd like to remind you is that our currency exposure is translational, not transactional. So, we're producing the products in the same geographies that we sell them for the most part. Now, we do borrow predominantly in euros. So, we do use net investment hedges to mitigate the risk there, and we'll continue to do that. The currency exposure, I think we've given you a rule of thumb also about a one-point change in the U.S.-euro rate will have an opposite $0.01 change on our adjusted EPS.

We've also, in the presentation, on the last page of the presentation, given you sort of a sensitivity analysis on what a movement of 1% on the currency ratio would mean. So, I think that would be helpful as well to look at.

<A - Nancy McKinistry>: Yes. Please.

<Q>: Thank you. Three follow-up questions if I may. One is on deferred income which is up by €161 million year-on-year, which is more than twice your organic growth of 2014. So, could you please develop a little bit on the reasons for that and how good an indication it is for developing software and digital subscriptions?

Second question is on tax. I observed that your competitors at Intuit are having some mispricing problems. I was wondering if it has an impact on your business or your clients' business in the U.S. And finally, have you noticed any improvement in business with publicly-funded clients in Legal or Health? And more broadly, are you observing any easing in budgets for those types of clients, please?

<A - Nancy McKinistry>: Okay. Kevin, you want to start with deferred income?

<A - Kevin B. Entricken>: Yeah. On the deferred income, we did in fact see an improvement in our subscription rate businesses. But I'll also remind you, part of the improvement you're seeing on the balance sheet is related to the strengthening U.S. dollar. So, it's a good add-in. But the underlying improvement in deferred income is a result of the
good retention rates we are seeing.

**<A - Nancy McKinstry>**: And then on publicly-funded institutions, we have not seen any change in behavior, meaning that there are still – it's a tough market in most cases but not also deteriorating in any way. So, I would say pretty much status quo both in Legal & Regulatory and into Health where we serve a lot of public institutions.

On Tax, I didn't quite get your question on the Tax business if you could repeat that one.

**<Q>**: Yeah. There's been a change in pricing at one of your competitors in the U.S., Intuit for TurboTax which is I think not exactly comparable to your product, but I thought it could have an impact on the client base, behavior of the client base in the U.S.

**<A - Nancy McKinstry>**: Yeah. No, we do – as you rightfully point out, TurboTax, which is owned by Intuit, is very much a consumer-facing product. We serve only professionals. The do-it-yourself market has been growing, but it doesn't impact us at all.

**<Q>**: Okay.

**<A - Nancy McKinstry>**: Yeah. Please.

**<Q - Sander van Oort>**: Sander van Oort, Kempen. A couple of questions, if I may. First of all, on the working capital improvement, I think you surprised positively with generating another €4 million from operating working capital. Is there anything left or any further upside potential in 2015?

Second question is on the adjusted financing cost, which you got €100 million for 2015, I'm a bit surprised because I think it was €49 million for the second of 2014. So, given the ongoing deleveraging, I'm a bit surprised that you're guiding €400 million, maybe it should be a bit less. Maybe I'm overlooking something. And thirdly, I can remember from previous presentations, the product pruning always had a bit of a negative impact on organic sales growth, given the organic sales growth accelerations, is it fair to assume that the product pruning process has now come to an end or is it something else?

And fourthly, final question on innovations without going in too much detail, can you maybe share what are the innovation pipeline for 2015 is broader versus last year, a bit of an indication to what extent organic sales growth might accelerate going forward?

**<A - Nancy McKinstry>**: Yeah. I'll take the last two and then Kevin can talk about working capital on financing. The product pruning, we continue to prune products, and I would say very much at the same kind of levels. The pruning takes two forms. It's one both on the book side of the business. We have been intentionally narrowing the front list certainly in Legal & Regulatory; and the second is we discontinue products when they reach the kind of very low subscriber levels, and that is an ongoing process that we take across the business.

On innovation, the pipeline is growing, I think that's important and is not only is the pipeline growing but we're starting to reach higher penetration rates. So, part of why I chose the three products to talk about in my presentation is that those products are actually launched before previous to 2014. And it shows you that, essentially, the life cycle of the products is it takes two to three years to build the product. And then it really takes two to three years to get to what I would call scale in the market. And so, the good news is that for some of these products, we're now at that scale level. And so, not only are more things coming into the pipe but we're getting scale. And I think that's changed about Wolters Kluwer from the past is that most of all, we're building now really are global products. So, we're not confined to the individual market. And that, obviously, gives us more potential. Kevin, do you want to talk about working capital?

**<A - Kevin B. Entricken>**: Yeah. Certainly, working capital was very strong in 2014 with a conversion ratio of about 100%. I would usually expect the conversion ratio is about 95%. So, that's what I would guide to going forward. In 2014, we've had very strong collections at the end of the year. And, clearly, we manage our working capital very prudently. So, I think that the better collections at year-end drove that performance.

**<A - Nancy McKinstry>**: And financing.
<A - Kevin B. Entricken>: And financing cost. Yes. We are guiding you to the €100 million in financing cost based on the majority profile we have today. And that is constant currencies and that does not include the pension financing and it wouldn’t include any kind of M&A gain or loss that we would have on an investment. So, I would certainly guide you to the €100 million is where we believe that would be going forward.

<A - Nancy McKinstry>: Meg, questions?

<A - Meg Geldens>: A few questions from e-mail. Then, if I can [indiscernible] (01:10:30) because some of them are partly covered, but Nick Dempsey from Barclays was hoping if you could give a bit more color on the strong performance of CLS in the fourth quarter and the FCS in the fourth quarter. How much of this is really one-off? And then secondly, he’s wondering whether on restructuring, the levels we’re talking about in 2015, will this reduce in 2016 or should we assume they were just baked in going forward and stay about the same going forward?

<A - Nancy McKinstry>: Okay. So, on CLS, the fourth quarter was very strong largely due to transaction volumes. So, that is something that we've indicated will moderate if you look – they'll have the tough comparable in the second half of 2015. So, clearly you need to take that into consideration.

However, in addition to the strong transactional volume, we continue to see subscription growth not only in the core of the business, which is the legal representation services, but very importantly in our Enterprise Legal Management group, which is the combined TyMetrix and Datacert business, both of which are sold as a subscription and had very good growth. So, I think CLS is well-positioned for 2015.

On FS, again the fourth quarter, very, very good organic growth. A lot of that was driven by this large financial institution contracts that we won. Again, we were indicating that there will be a more moderate pace of growth for that part of Financial & Compliance Services because of course both the timing of these contract is hard to predict. And we now have won a number of them. And we won't necessarily repeat that in the fourth quarter for 2015.

And then on restructuring...

<A - Kevin B. Entricken>: Restructuring? What I would like to make sure I remind everybody is the restructuring is in our adjusted numbers, so we don't include that, but we do want to give you an indication of the programs that we're running. The comment that we did make is that in 2015, we would see the restructuring largely in the Legal & Regulatory European businesses, and that's where we are still seeing the business that has an organic decline. So, we're doing restructuring programs to certainly help the bottom line, but also to offset wage inflation as we start to see improvement in the growth profile of those businesses, you would see the restructuring coming down.

Nancy McKinstry

Anything, yeah. And we're done. Okay. Any other questions?

Okay. Great. Thank you all for joining us this morning. Thank you on the phone as well, and please help yourselves to refreshments...

[Abrupt End]
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